

FINAL BILL REPORT

HB 1567

C 161 L 09
Synopsis as Enacted

Brief Description: Addressing insurance, generally.

Sponsors: Representatives Bailey, Kirby and Roach; by request of Insurance Commissioner.

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions, Housing & Insurance

Background:

The Insurance Commissioner (Commissioner) regulates insurance in this state.

Regulatory Assessments.

The Office of the Insurance Commissioner (OIC) is authorized to charge a sum against an insurer's premium volume to finance the OIC's operations. In 2007 two different bills were enacted that impacted a statute providing for the fund mechanism that pays for the operation of the OIC. Those two bills did not reference each other. One bill (House Bill 1293) changed provisions related to health maintenance organizations. The other bill (Substitute Senate Bill 5919) changed the characterization of mechanism from "fee" to "surcharge," excluded the surcharge from the definition of "premium," provided a method of recouping the amount of surcharge, and excluded the surcharge from the calculation of retaliatory taxes.

Washington assesses retaliatory taxes on a foreign (meaning out-of-state) insurer when the foreign insurer's state of domicile assesses higher aggregate taxes, fees, and assessments on insurance policies written by a Washington-domiciled insurer than Washington would otherwise assess on foreign insurers writing insurance in Washington. Generally, in determining whether a retaliatory tax should apply to a foreign insurer, states aggregate all taxes, fees, and assessments charged by the other state. However, states may exclude some fees and assessments from the retaliatory tax calculation. States may be more likely to exclude fees from their retaliatory tax calculations if the fees are assessments for special purposes or are fees that insurers are permitted to recoup from policyholders.

In 2008 the state capital budget allowed for the transfer of funds from the Commissioner's regulatory account to the State Heritage Center Account during the 2007-2009 fiscal biennium.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Securities.

In 2008 legislation was enacted that altered the regulatory framework for securities held by an insurer. One permitted method for holding securities is in the Treasury/Reserve Automated Debt Entry Securities System (TRADES).

Insurer Fiscal and Tax Reporting.

On or before March 1 of every year, domestic insurers must file an annual statement regarding the insurer's financial condition, transactions, and affairs with the OIC and the National Association of Insurance Commissioners (NAIC). Foreign (meaning out-of-state) and alien (meaning out-of-country) insurers must file an annual statement with the NAIC.

Insurers pay a premium tax to the OIC every year on or before March 1. The tax is in the amount of 2 percent of premiums. The OIC remits the money to the State Treasurer. The money is then deposited into the State General Fund.

In the annual statement, an insurer is to file a statement of premiums collected or received according to a form prescribed by the OIC. In every statement, the reporting of premiums for tax purposes must be on a written basis or on a paid-for basis consistent with the basis required by the annual statement.

Medicare Supplement Insurance.

Medicare Supplement insurance is a type of health coverage intended to fill in the coverage gaps in the Medicare program. There are 12 standard policy options, called A through L, that provide coverage for a range of benefits. These Medicare Supplement policies are regulated by the Commissioner although standards are often set by the federal government.

Unless otherwise provided for in existing law, an issuer of a Medicare Supplement insurance policy or certificate providing coverage to a resident of this state issued on or after January 1, 1996, must issue coverage:

- under its standardized benefit plans B, C, D, E, F, G, K, and L without evidence of insurability to any eligible resident if the Medicare Supplement policy replaces another Medicare Supplement standardized benefit plan policy or certificate B, C, D, E, F, G, K, or L, or other more comprehensive coverage than the replacing policy; and
- under its standardized benefit plans A, H, I, and J without evidence of insurability to any eligible resident if the new Medicare Supplement policy is the same standardized plan as the replaced policy. After December 31, 2005, plans H, I, and J may be replaced only by the same plan if that plan has been modified to remove outpatient prescription drug coverage.

Summary:

Regulatory Assessments.

The language regarding permitted appropriations during the 2007-09 fiscal biennium is struck.

Securities.

An incorrect reference to "equity" is replaced with "entry" in the reference to Treasury/ Reserve Automated Debt Entry Securities System (TRADES).

Insurer Fiscal and Tax Reporting.

The reporting of premiums for tax purposes must be consistent with the basis the insurer used to report in the insurer's annual statement. The insurer may use a written or a paid-for basis.

Medicare Supplement Insurance.

The existing replacement provisions for policies written after January 1, 1996, apply to policies written until June 1, 2010.

Unless otherwise provided for in existing law, an issuer of a Medicare Supplement insurance policy or certificate providing coverage to a resident of this state issued on or after June 1, 2010, must issue coverage:

- under its standardized benefit plans B, C, D, E, F with high deductible, G, K, L, M, or N without evidence of insurability to any eligible resident if the Medicare Supplement policy or certificate replaces another Medicare Supplement policy or certificate or other more comprehensive coverage; and
- under its standardized benefit plans A without evidence of insurability to any resident of this state who is eligible for both Medicare hospital and physician services by reason of age or by reason of disability or end-stage renal disease, if the Medicare Supplement policy or certificate replaces another standardized plan A Medicare Supplement policy or certificate.

Votes on Final Passage:

House	96	0
Senate	47	0

Effective: July 26, 2009